

# Consumption exercise why does C matter

## Description:

This exercise helps students to see how different parts of the economy link together and to get a sense of the reasons why consumption matters.

Print off the consumption graphic which has a graph of changes in household consumption expenditure in the middle. Have students work in pairs and make sure that they understand that it is a percentage change graph (C is only falling when the % change is negative, not when it is simply falling).

You can use the digital graphic to draw students' responses together.

Then ask them:

- What are the links between changes in consumption and each of the other graphs? Which links seem to be the strongest?
- In each case, why do you think this is?
- Overall, how important does consumption seem to be?

They should get the idea that C is correlated with each of the graphs (although the direction of causation is always open to question, of course).

If you want to give them more focus, ask them to look closely at what happens in the period 2008 to 2010, where the links are quite strong (negative growth, rising unemployment and debt, falling inflation and corporate profitability, improved trade balance, rising household debt).